

TOWN OF NORTH HERO, VERMONT

AUDIT REPORT

JUNE 30, 2007

TOWN OF NORTH HERO, VERMONT
AUDIT REPORT
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Sullivan, Powers & Co.

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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Independent Auditor's Report

James H. Powers, CPA
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Selectboard
Town of North Hero
P.O. Box 38
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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of North Hero, Vermont as of and for the year ended June 30, 2007, which collectively comprise the Town of North Hero, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

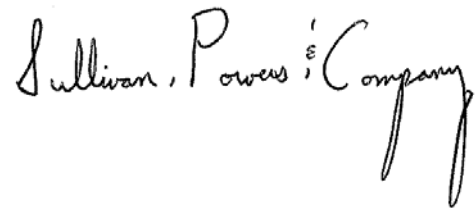
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town's policy is to prepare its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Hero, Vermont, as of June 30, 2007 and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Highway Fund for the year then ended in conformity with the modified cash basis of accounting.

The Town of North Hero, Vermont has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is required to supplement the basic financial statements.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Town of North Hero, Vermont's basic financial statements. The combining fund financial statements and the budgetary comparison for the Water Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized flourish at the end of the word "Company".

February 4, 2008
Montpelier, Vermont
Vt Lic. #92-000180

TOWN OF NORTH HERO, VERMONT
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 589,897	\$ 268,883	\$ 858,780
Investments	19,612	0	19,612
Reimbursement Receivable	0	7,002	7,002
Internal Balances	(120,927)	120,927	0
Total Assets	<u>488,582</u>	<u>396,812</u>	<u>885,394</u>
<u>LIABILITIES</u>			
Prepaid Taxes/Water Fees	2,072	40,421	42,493
Due to Others	2,517	0	2,517
Total Liabilities	<u>4,589</u>	<u>40,421</u>	<u>45,010</u>
<u>NET ASSETS</u>			
Restricted	16,872	0	16,872
Unrestricted	467,121	356,391	823,512
Total Net Assets	<u>\$ 483,993</u>	<u>\$ 356,391</u>	<u>\$ 840,384</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
General Government	\$ 371,199	\$ 74,104	\$ 15,582	\$ 2,995	\$ (278,518)	\$ 0	\$ (278,518)
Highway	226,250	7,000	197,530	50,697	28,977	0	28,977
Culture and Recreation	41,766	2,345	1,828	0	(37,593)	0	(37,593)
Public Safety	81,343	0	4,826	0	(76,517)	0	(76,517)
Cemetery	3,915	1,007	0	0	(2,908)	0	(2,908)
Solid Waste	2,776	0	0	0	(2,776)	0	(2,776)
Debt Service	90,456	0	0	0	(90,456)	0	(90,456)
Total Governmental Activities	817,705	84,456	219,766	53,692	(459,791)	0	(459,791)
Business-Type Activities:							
Water	441,558	384,872	0	0	0	(56,686)	(56,686)
Total Business-Type Activities	441,558	384,872	0	0	0	(56,686)	(56,686)
Total	\$ 1,259,263	\$ 469,328	\$ 219,766	\$ 53,692	(459,791)	(56,686)	(516,477)
General Receipts:							
Property Taxes					448,591	0	448,591
Payment in Lieu of Taxes					34,095	0	34,095
Interest and Penalties on Delinquent Taxes					40,454	0	40,454
Unrestricted Investment Earnings					39,454	16,759	56,213
Equivalent Residential Units (ERU) Fees					0	35,125	35,125
Other Revenues					2,060	0	2,060
General State Grants					8,960	0	8,960
Transfers					(35,000)	35,000	0
Total General Receipts					538,614	86,884	625,498
Change in Net Assets					78,823	30,198	109,021
Net Assets - July 1, 2006					405,170	326,193	731,363
Net Assets - June 30, 2007					\$ 483,993	\$ 356,391	\$ 840,384

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 589,897	\$ 0	\$ 0	\$ 589,897
Investments	0	0	19,612	19,612
Due from Other Funds	<u>0</u>	<u>9,352</u>	<u>65,988</u>	<u>75,340</u>
Total Assets	<u>\$ 589,897</u>	<u>\$ 9,352</u>	<u>\$ 85,600</u>	<u>\$ 684,849</u>
<u>LIABILITIES</u>				
Liabilities:				
Due To Other Funds	\$ 196,267	\$ 0	\$ 0	\$ 196,267
Prepaid Taxes	2,072	0	0	2,072
Due to School District	1,105	0	0	1,105
Due To Others	<u>1,412</u>	<u>0</u>	<u>0</u>	<u>1,412</u>
Total Liabilities	<u>200,856</u>	<u>0</u>	<u>0</u>	<u>200,856</u>
Fund Balances:				
Reserved for				
Highway Expenses	0	9,352	0	9,352
Other Purposes	0	0	7,520	7,520
Unreserved, Reported In				
General Fund	389,041	0	0	389,041
Special Revenue Funds	0	0	63,801	63,801
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>14,279</u>	<u>14,279</u>
Total Fund Balances	<u>389,041</u>	<u>9,352</u>	<u>85,600</u>	<u>483,993</u>
Total Liabilities and Fund Balances	<u>\$ 589,897</u>	<u>\$ 9,352</u>	<u>\$ 85,600</u>	<u>\$ 684,849</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Property Taxes	\$ 448,591	\$ 197,530	\$ 0	\$ 646,121
Penalties and Interest on Delinquent Taxes	40,454	0	0	40,454
Intergovernmental	51,270	50,697	15,525	117,492
Investment Income	36,292	375	2,787	39,454
Charges for Services	0	7,000	745	7,745
Licenses, Fees & Fines	75,310	0	1,007	76,317
Miscellaneous Receipts	2,060	0	1,885	3,945
Total Cash Receipts	653,977	255,602	21,949	931,528
Cash Disbursements:				
General Government	348,157	0	23,042	371,199
Highway	0	226,250	0	226,250
Culture & Recreation	10,937	0	30,829	41,766
Public Safety	81,343	0	0	81,343
Cemeteries	0	0	3,915	3,915
Solid Waste	2,776	0	0	2,776
Debt Service:				
Principal	19,650	0	65,232	84,882
Interest	1,224	0	4,350	5,574
Total Cash Disbursements	464,087	226,250	127,368	817,705
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	189,890	29,352	(105,419)	113,823
Other Financing Sources/(Uses):				
Transfers In	0	0	52,606	52,606
Transfers Out	(67,606)	(20,000)	0	(87,606)
Total Other Financing Sources/(Uses)	(67,606)	(20,000)	52,606	(35,000)
Net Change in Fund Balances	122,284	9,352	(52,813)	78,823
Fund Balances - July 1, 2006	266,757	0	138,413	405,170
Fund Balances - June 30, 2007	\$ 389,041	\$ 9,352	\$ 85,600	\$ 483,993

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Property Taxes:			
Property Taxes	\$ 423,094	\$ 448,591	\$ 25,497
Interest on Late Payments	2,000	1,987	(13)
Interest on Delinquent Taxes	12,000	23,002	11,002
Delinquent Tax Penalty	10,000	15,465	5,465
Total Property Taxes	447,094	489,045	41,951
State of Vermont:			
Current Use	7,500	8,960	1,460
PILOT	28,000	34,095	6,095
Judicial Fines	2,750	4,070	1,320
HAVA Grant	0	2,995	2,995
Lister Education Grant	0	394	394
Total State of Vermont	38,250	50,514	12,264
Service Fees:			
Recordings/Vault Usage	18,000	14,458	(3,542)
Record Restoration	3,000	3,964	964
Office Service/Photocopy	700	0	(700)
Liquor Licenses	450	550	100
Dog Licenses	1,000	1,098	98
Marriage Licenses	300	230	(70)
Civil Fines	2,000	756	(1,244)
Office Income	2,500	1,300	(1,200)
Building Applications	12,000	25,273	13,273
Conditional Use - Variance	4,500	4,875	375
Zoning Fines	0	8,000	8,000
Zoning Regulations	1,000	13,962	12,962
Site Plan Applications	450	0	(450)
Parks and Recreation Income	1,000	1,300	300
Camp Ingalls	0	300	300
Total Service Fees	46,900	76,066	29,166
Other Income:			
Interest Earned on Savings Account	7,000	36,292	29,292
Miscellaneous Income	10,000	2,060	(7,940)
Total Other Income	17,000	38,352	21,352
Total Cash Receipts	549,244	653,977	104,733

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Disbursements:			
Salaries:			
Clerk/Treasurer	\$ 40,700	\$ 40,700	\$ 0
Assistant Clerk/Treasurer	13,000	16,641	(3,641)
Delinquent Tax Collector	5,000	103	4,897
Grant Writer	1,000	0	1,000
Selectboard Stipend	6,250	6,563	(313)
Selectboard Clerk	4,500	3,574	926
Other Salaries	5,000	0	5,000
Health Insurance	6,000	15,353	(9,353)
FICA/Medicare	9,000	5,712	3,288
Retirement	6,000	4,488	1,512
Unemployment	1,500	2,020	(520)
Meetings/Travel	150	0	150
	98,100	95,154	2,946
Total Salaries			
Listers Office:			
Listers Salaries	17,500	7,633	9,867
FICA/Medicare	0	584	(584)
Tax Mapping Contract	2,000	0	2,000
Professional Fees	500	17,456	(16,956)
Legal	250	0	250
Computer Expense	1,100	707	393
Postage	250	396	(146)
Advertising	150	209	(59)
Printing/Copying	0	6	(6)
Meetings/Travel	1,000	27	973
Supplies	500	740	(240)
Other	100	0	100
	23,350	27,758	(4,408)
Total Listers Office			
Auditors:			
Salary	2,100	2,100	0
FICA/Medicare	0	161	(161)
Printing/Copying	2,500	1,162	1,338
Meetings/Travel	150	27	123
Other	150	36	114
	4,900	3,486	1,414
Total Auditors			

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Board of Adjustment:			
Clerk	\$ 3,900	\$ 3,946	\$ (46)
Legal Consultation	1,000	1,823	(823)
Legal Appeals	2,500	0	2,500
Postage	700	629	71
Advertising	2,000	1,320	680
Supplies	0	25	(25)
Miscellaneous	150	0	150
Total Board of Adjustment	10,250	7,743	2,507
Zoning:			
Administrator	5,000	5,000	0
Clerical	2,300	2,061	239
FICA/Medicare	0	434	(434)
Legal	1,500	0	1,500
Postage	400	87	313
Printing/Copying	0	60	(60)
Meetings and Travel	50	0	50
Zoning Inspection Fees	0	1,475	(1,475)
Total Zoning	9,250	9,117	133
Planning Commission:			
Clerk	3,600	800	2,800
FICA/Medicare	0	8	(8)
Legal	1,000	0	1,000
Computer Expense	250	0	250
Postage	350	0	350
Advertising	600	264	336
Copying/Printing	1,000	232	768
Meetings and Travel	150	1,572	(1,422)
Supplies	150	42	108
Total Planning Commission	7,100	2,918	4,182
Office Operations:			
Record Restoration	2,000	3,237	(1,237)
Non-Legal Services	3,000	3,257	(257)
Service Contracts	2,000	2,717	(717)
Computer Expense	0	135	(135)
Equipment Repair	1,500	492	1,008
Rent	13,200	14,612	(1,412)
Telephone	3,500	3,144	356
Internet Access	750	667	83

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Office Operations/(Cont'd):			
Postage	\$ 1,700	\$ 1,535	\$ 165
Advertising	750	419	331
Copies/Printing	0	336	(336)
Meetings and Travel	2,000	841	1,159
Supplies	4,000	2,415	1,585
Equipment	3,800	5,698	(1,898)
Miscellaneous	0	264	(264)
Total Office Operations	38,200	39,769	(1,569)
Community Hall:			
Water	3,475	4,170	(695)
Maintenance and Repair	0	75	(75)
Electricity	2,200	2,268	(68)
Fuel/Propane	100	0	100
Total Community Hall	5,775	6,513	(738)
Parks and Recreation:			
Utilities	600	532	68
Water	495	247	248
Maintenance	2,300	437	1,863
Advertising	200	780	(580)
Equipment and Supplies	500	0	500
Programs	4,500	1,321	3,179
Improvements	5,000	1,612	3,388
Total Parks and Recreation	13,595	4,929	8,666
Library Building:			
Water	695	695	0
Electricity	1,300	990	310
Fuel/Propane	1,500	992	508
Maintenance and Repair	3,000	3,331	(331)
Improvements	1,000	0	1,000
Total Library Building	7,495	6,008	1,487

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Safety:			
Constable/Animal Control	\$ 700	\$ 300	\$ 400
Grand Isle Rescue	17,000	10,000	7,000
North Hero Fire Department	20,000	20,000	0
Sheriff Department	31,336	31,232	104
Grand Isle Mutual Aid	10,000	14,400	(4,400)
Boat Hull Insurance	<u>5,411</u>	<u>5,411</u>	<u>0</u>
Total Public Safety	<u>84,447</u>	<u>81,343</u>	<u>3,104</u>
Solid Waste:			
Salaries	100	0	100
Monitoring Lab	1,700	1,878	(178)
NWSWD Dues	<u>898</u>	<u>898</u>	<u>0</u>
Total Solid Waste	<u>2,698</u>	<u>2,776</u>	<u>(78)</u>
Insurances:			
Workers Compensation	4,589	4,466	123
Public Officials Bonds	1,600	200	1,400
Umbrella Policy	5,616	5,713	(97)
Commercial Insurance	<u>11,500</u>	<u>11,553</u>	<u>(53)</u>
Total Insurances	<u>23,305</u>	<u>21,932</u>	<u>1,373</u>
General Expenses:			
Audit/Accounting	4,750	6,306	(1,556)
Legal and Professional Fees	2,000	6,240	(4,240)
Computer Services	1,000	681	319
Cemetery Contribution	3,000	3,000	0
County Tax	64,883	66,118	(1,235)
NWRPC Dues	664	664	0
VLCT	1,000	1,191	(191)
Janitorial Expenses	100	991	(891)
Special Projects	5,000	1,051	3,949
Returned Checks	1,500	0	1,500
Fee Refund	500	0	500
Gifts and Awards	500	258	242
State License Fee	100	105	(5)
HAVA Grant Expenses	<u>0</u>	<u>2,036</u>	<u>(2,036)</u>
Total General Expenses	<u>84,997</u>	<u>88,641</u>	<u>(3,644)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Debt:			
O'Neil Payment	\$ 3,650	\$ 3,650	\$ 0
GI Rescue Principal Payment	16,000	16,000	0
GI Rescue Interest Payment	0	1,224	(1,224)
Total Debt	19,650	20,874	(1,224)
Appropriations:			
Adult Basic Education	250	0	250
Chamber of Commerce	1,500	1,500	0
Champlain Valley Agency on Aging	950	0	950
Champlain Island Parent-Child	1,500	1,500	0
Visiting Nurse Association	5,566	5,566	0
VT Coalition of Municipalities	250	250	0
Voices Against Violence	500	0	500
NW Unit Special Investigation	1,000	0	1,000
Grand Isle County Court Diversion	250	0	250
North Lake Champlain Advisory	3,000	3,000	0
Northern Vermont Resource Conservation	75	0	75
Center for Independent Living	310	310	0
Franklin County Humane Society	250	0	250
Green Up Vermont	50	0	50
North Hero Historical Society	3,000	3,000	0
Library Appropriation	26,606	26,606	0
NVRC&DC	75	0	75
School Building Use	36,000	36,000	0
Water Fund Subsidy	35,000	35,000	0
Total Appropriations	116,132	112,732	3,400
Total Cash Disbursements	549,244	531,693	17,551
Excess of Cash Receipts Over Cash Disbursements	\$ 0	122,284	\$ 122,284
Fund Balance - July 1, 2006		266,757	
Fund Balance - June 30, 2007		\$ 389,041	

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Property Taxes	\$ 197,530	\$ 197,530	\$ 0
State Highway Aid	45,000	50,697	5,697
Water Equipment Rental	10,000	7,000	(3,000)
Interest Income	<u>0</u>	<u>375</u>	<u>375</u>
Total Cash Receipts	<u>252,530</u>	<u>255,602</u>	<u>3,072</u>
Cash Disbursements:			
Public Works Personnel:			
Public Works Foreman Salary	36,300	36,123	177
Assistant Public Works Salary	31,200	27,851	3,349
Labor/Highway	1,750	2,731	(981)
Winter Labor	500	0	500
Wingman	500	0	500
Overtime	10,000	10,326	(326)
Health Insurance	9,000	10,489	(1,489)
FICA and Medicare	6,000	5,684	316
Retirement	6,450	6,786	(336)
Mileage	<u>450</u>	<u>496</u>	<u>(46)</u>
Total Public Works Personnel	<u>102,150</u>	<u>100,486</u>	<u>1,664</u>
Town Garage:			
Water - Town Garage	1,390	1,390	0
Water - Oman Station	695	695	0
Maintenance/Repairs	2,500	1,179	1,321
Telephone	1,500	1,571	(71)
Electricity	2,000	2,105	(105)
Fuel/Propane	6,000	11,386	(5,386)
Improvements	2,500	0	2,500
Uniforms	<u>0</u>	<u>2,536</u>	<u>(2,536)</u>
Total Town Garage	<u>16,585</u>	<u>20,862</u>	<u>(4,277)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Town Equipment:			
Plow Parts	\$ 500	\$ 674	\$ (174)
Sander Parts	250	0	250
Lawn Care Equipment	5,000	5,683	(683)
Labor Maintenance/Repair	500	1,206	(706)
Maintenance and Repair	1,500	2,985	(1,485)
Service Truck Repairs	2,500	1,719	781
Truck Parts	1,500	3,960	(2,460)
Tires and Repairs	<u>1,000</u>	<u>352</u>	<u>648</u>
Total Town Equipment	<u>12,750</u>	<u>16,579</u>	<u>(3,829)</u>
Highway Maintenance:			
Equipment Hire	1,200	1,750	(550)
Ditching/Deferred Maintenance	4,000	0	4,000
Diesel/Gas	6,500	7,011	(511)
Salt/Sand	14,000	5,830	8,170
Stone-Rock	500	5,954	(5,454)
Chloride	200	0	200
Cold Patch	100	165	(65)
Resurfacing	50,000	47,968	2,032
Culverts	5,500	2,645	2,855
Miscellaneous	<u>0</u>	<u>1,070</u>	<u>(1,070)</u>
Total Highway Maintenance	<u>82,000</u>	<u>72,393</u>	<u>9,607</u>
Highway Paving/Construction:			
Paving Construction	1,000	308	692
Equipment Hire	250	0	250
Stone-Rock	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Highway Paving/Construction	<u>2,250</u>	<u>308</u>	<u>1,942</u>
Insurance			
Unemployment Insurance	1,000	735	265
Workmans Compensation	8,661	8,293	368
Vehicle Insurance	5,634	5,244	390
Commercial Package	<u>1,500</u>	<u>1,350</u>	<u>150</u>
Total Insurance	<u>16,795</u>	<u>15,622</u>	<u>1,173</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Capital Funding:			
Transfer to Capital Equipment Fund	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>0</u>
Total Capital Funding	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Cash Disbursements	<u>252,530</u>	<u>246,250</u>	<u>6,280</u>
Excess of Cash Receipts Over Cash Disbursements	\$ <u><u>0</u></u>	9,352	\$ <u><u>9,352</u></u>
Fund Balance - July 1, 2006		<u>0</u>	
Fund Balance - June 30, 2007		\$ <u><u>9,352</u></u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2007

	<u>Water Fund</u>
<u>ASSETS</u>	
Cash	\$ 268,883
Due from Other Funds	120,927
Reimbursement Receivable	<u>7,002</u>
Total Assets	<u>\$ 396,812</u>
<u>LIABILITIES</u>	
Prepaid Water Fees	<u>\$ 40,421</u>
Total Liabilities	<u>40,421</u>
<u>NET ASSETS</u>	
Unrestricted	<u>356,391</u>
Total Net Assets	<u>356,391</u>
Total Liabilities and Net Assets	<u>\$ 396,812</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water Fund</u>
OPERATING RECEIPTS:	
Charges for Services	\$ 382,005
Interest on Delinquent Fees	1,807
Other Fees	<u>1,060</u>
Total Operating Receipts	<u>384,872</u>
OPERATING DISBURSEMENTS:	
Salaries and Benefits	14,295
Water Operations	142,756
Building and Grounds	12,253
General Expenses	4,082
Small Equipment	<u>89</u>
Total Operating Disbursements	<u>173,475</u>
Operating Income	<u>211,397</u>
NONOPERATING RECEIPTS/(DISBURSEMENTS):	
Interest Income	16,759
Equivalent Residential Units (ERU) Fees	35,125
Bond Principal Payments	(123,381)
Bond Interest Payments	<u>(144,702)</u>
Total Nonoperating Receipts/(Disbursements)	<u>(216,199)</u>
Net Income/(Loss)	(4,802)
Other Financing Sources:	
Transfer In	<u>35,000</u>
Change in Net Assets	30,198
Net Assets - July 1, 2006	<u>326,193</u>
Net Assets - June 30, 2007	<u>\$ 356,391</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

The Town of North Hero, Vermont operates under a Selectmen form of government and provides the following services: public safety, highways and streets, water services, community development, recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town conform to the modified cash basis of accounting as applicable to governments, except as noted below. The following is a summary of the more significant policies.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Town of North Hero, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating receipts, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating receipts, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports on the following major governmental funds:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Highway Fund – This fund accounts for the operations of the highway department of the Town.

The Town reports on the following major proprietary funds:

Water Fund – This fund accounts for the operations of the Water Department of the Town.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus within the limitations of the cash basis of accounting. Fund equity (i.e., cash basis net assets) is segregated into restricted cash basis net assets and unrestricted cash basis net assets. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in cash basis net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the cash basis of accounting. Their reported fund balances (cash basis net assets) are considered a measure of available spendable resources, and are segregated into reserved and unreserved fund balances. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in cash basis net assets.

D. Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Town's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exception to this is that the Town records property taxes and water fees paid in advance as a liability and records investments as assets.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied to the extent they are applicable to the cash basis of accounting unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

E. Assets, Liabilities and Equity

1. Cash

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Investments

The Town invests in investments as allowed by State Statute. Investments are reported at cost. The only investments the Town has are certificates of deposit with a maturity date greater than ninety (90) days.

3. Fund Equity

Fund balances are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Reservations of fund balances represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balance represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

4. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2007, expenditures in the Water Fund exceeded appropriations by \$9,983. These over-expenditures were funded by available fund balance.

C. Reconciliation of Budgetary Statements

The “budget versus actual” statement of the following fund has been prepared to conform with its budget. Therefore, to conform with the modified cash basis of accounting, certain adjustments are necessary. The following are the adjustments which reconcile the budgetary statement with the cash basis statement.

Water Fund

Excess/(Deficiency) of Cash Receipts Over	
Cash Disbursements – Schedule 7 – Budgetary Basis	\$ (37,124)
Adjustments:	
Reserve Fund Transfers	20,000
Interest on Reserve Funds	12,197
Equivalent Residential Unit (ERU) Fees	<u>35,125</u>
Change in Modified Cash Basis Net Assets – Exhibit H	\$ <u>30,198</u>

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments is comprised of the following:

Cash	\$858,780
Investments - Certificates of Deposits	<u>19,612</u>
Total	\$ <u>878,392</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The following table shows the custodial credit risk of the Town’s deposits.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 176,937	\$ 182,733
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	701,236	701,234
Cash on Hand	<u>219</u>	<u>0</u>
Total Cash Deposits	<u>\$ 878,392</u>	<u>\$ 883,967</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's certificates of deposit are not rated. The Town does not have any policy to limit the exposure to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer that represent more than 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. All of the investments mature within one year.

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

B. Interfund Balances and Activity

The composition of interfund balances at June 30, 2007, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 196,267
Highway Fund	9,352	0
Water Fund	120,927	0
Other Governmental Funds	<u>65,988</u>	<u>0</u>
Totals	<u>\$ 196,267</u>	<u>\$ 196,267</u>

Interfund transfers for the year ended June 30, 2007 were as follows:

<u>Transfer Fund</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Library Trustees Fund	\$ 26,606	Annual Funding
General Fund	NLCAC Fund	3,000	Annual Funding
General Fund	Cemetery Fund	3,000	Annual Funding
General Fund	Water Fund	35,000	Annual Funding
Highway Fund	Capital Equipment Fund	<u>20,000</u>	Annual Funding
		<u>\$ 87,606</u>	

C. Reserved and Designated Fund Balances

The reserved and designated fund balances of the Town as of June 30, 2007 consisted of the following:

Governmental Funds:

Major Fund:

Reserved for Highway Fund Expenses by Statute	\$ <u>9,352</u>
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TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Other Non-Major Governmental Fund:	
Reserved for Cemetery Expenses by Trust Agreement	\$ 5,803
Reserved for Recreation Expenses by Grant Agreement	767
Reserved for Pelots Bay Restoration by Grant Agreement	<u>950</u>
Total Other Non-Major Governmental Funds	<u>7,520</u>
Total Reserved Fund Balances	<u>\$ 16,872</u>

The Designated Fund Balances are as follows:

Major Funds:

General Fund:

Designated to Reduce Property Taxes in Fiscal Year 2008	\$ <u>50,000</u>
Total Major Funds	<u>50,000</u>

Other Non-Major Governmental Funds:

Designated for Reappraisal Expenditures	33,538
Designated for Library Expenditures	11,786
Designated for Cemetery Expenditures	10,372
Designated for Northern Lake Champlain Advisory Committee (NLCAC)	8,105
Designated for Capital Equipment Expenditures	11,583
Designated for Garage and Building Expenses	2,629
Designated for Town Hall Renovation Expenses	<u>67</u>
Total Other Non-Major Governmental Funds	<u>78,080</u>
Total Designated Fund Balances	<u>\$128,080</u>

D. Designated Net Assets

The designated net assets of the Town's Proprietary Fund as of June 30, 2007 consisted of the following:

Designated for Water Capital by ERU Fees	\$216,709
Designated for Other Water Capital	87,299
Designated for Water Operations	<u>52,383</u>
Total Designated for Net Assets	<u>\$356,391</u>

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

IV. OTHER INFORMATION

A. BENEFIT PLANS

All applicable employees of the Town of North Hero are covered under the State of Vermont Municipal Employees' Retirement Plan. Employees in Group B must contribute 4.5% of their gross wages, while the Town contributes 5.0% to the plan. The other covered employees are members of Group DC, a defined contribution plan. Employees covered by this plan are required to contribute 5% of gross wages, while the Town contributes 5% to the plan. The Town has chosen to pay the employees' share for both plans.

The Town of North Hero pays all costs accrued each year for the plan. The premise of Plan B is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as present value of vested and nonvested plan benefits by municipality are not determinable. The premise of Plan DC is to allow the employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement.

Total payroll for the year was \$221,352. Total payroll covered by Plan B and Plan DC was \$118,667, and \$16,547, respectively. The Town's contribution to the plan, including the employee's share for the year ending June 30, 2007 was \$12,929.

Additional information regarding the State of Vermont Municipal Employees Retirement System is available upon request from the State of Vermont.

B. PROPERTY TAXES

Property taxes are due in four equal installments on August 20, October 20, December 20 and February 20. Interest is assessed at 1% per month after each respective due date for the first three (3) months and 1.5% per month thereafter and a penalty of 8% is assessed when the taxes become delinquent on February 21st. The Town of North Hero bills and collects its own property taxes and also education taxes for the State of Vermont. Town tax revenue is recognized when cash is received. For the year ended June 30, 2007, the tax rate is as follows:

	<u>Residential</u>	<u>Non-residential</u>
Municipal	.2400	.2400
Education	<u>1.3004</u>	<u>1.2320</u>
Total Tax Rate/Per \$100 of Assessed Valuation	<u>\$1.5404</u>	<u>1.4720</u>

TOWN OF NORTH HERO, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2007

C. RISK MANAGEMENT

The Town of North Hero is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town of North Hero maintains commercial insurance coverage through a local broker. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town of North Hero. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Town of North Hero is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

D. LONG-TERM DEBT

NOTES, BONDS AND CAPITAL LEASE PAYABLE

Notes, Bonds and Capital Lease Payable consist of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Note Payable - O'Neil Family Land Purchase, Initial \$10,000 Payment then Annual Principal Payments of \$3,650 for 12 Years Beginning in 1997, 0% Interest, Due September 1, 2007	\$ 7,300	\$ 0	\$ 3,650	\$ 3,650
Note Payable - Chittenden Bank - Ambulance Purchase, 4.15% Interest, Due April 19, 2008,	32,000	0	16,000	16,000
Capital Lease Payable - John Deere Credit Corporation, Annual Payments of \$18,358, 4.75% Interest. The Town paid off this Lease in Full During 2007	<u>65,232</u>	<u>0</u>	<u>65,232</u>	<u>0</u>
Total Governmental Activities	\$ <u>104,532</u>	\$ <u>0</u>	\$ <u>84,882</u>	\$ <u>19,650</u>

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Maturities based on the Town's intentions are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ <u>19,650</u>	\$ <u>560</u>	\$ <u>20,210</u>
Total	\$ <u>19,650</u>	\$ <u>560</u>	\$ <u>20,210</u>

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<u>Business-Type Activities - Water Fund</u>				
Bond Payable - Vermont Municipal Bond Bank - Water System, Annual Principal Payments Ranging from \$35,000 to \$180,000 Due Each December 1, Interest at 5.6% Due Semi-Annually in June and December, Due December, 2026				
\$2,295,000	\$	0	\$ 60,000	\$2,235,000
Bond Payable – Vermont Municipal Bond Bank, Water System, Annual Principal Payments Ranging from \$10,000 To \$30,000 Due Each December 1, Interest Ranging from 1.55% to 5.0%, Due December, 2022				
340,000		0	15,000	325,000
Bond Payable – State of Vermont Special Environmental Revolving Loan Fund – Water System, Interest at 0%, This Loan was Forgiven in June, 2007				
31,436		0	31,436	0
Bond Payable – State of Vermont Special Environmental Revolving Fund, 0% Interest, \$21,159 Due Annually Beginning July, 2005, Due July, 2024				
380,856		0	21,159	359,697
Bond Payable – State of Vermont Special Environmental Revolving Fund, 0% Interest, \$27,222 Due Annually Beginning in July, 2006, Due July, 2025				
<u>517,222</u>		<u>0</u>	<u>27,222</u>	<u>490,000</u>
Total Business-Type Activities	<u>\$3,564,514</u>	<u>\$ 0</u>	<u>\$154,817</u>	<u>\$3,409,697</u>

TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

The Town anticipates the maturities to be as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 123,381	\$ 148,314	\$ 271,695
2009	128,381	144,312	272,693
2010	133,381	139,922	273,303
2011	138,381	135,157	273,538
2012	143,381	130,037	273,418
2013-2017	796,905	560,539	1,357,444
2018-2022	971,905	374,798	1,346,703
2023-2026	<u>973,982</u>	<u>131,279</u>	<u>1,105,261</u>
	<u>\$ 3,409,697</u>	<u>\$ 1,764,358</u>	<u>\$ 5,174,055</u>

E. OTHER COMMITMENTS

The Town is a participating member in the Northwest Solid Waste District (NWSWD). The Town could be subject to a portion of the District's debt if they experience financial difficulties.

F. RELATED PARTY TRANSACTIONS

The Town has two Selectboard members that are associated with individual construction companies that the Town used during the year. The Town paid the two construction companies a combined amount of approximately \$2,000 during the year ended June 30, 2007.

The Town rents office space for its municipal offices from the elected Clerk/Treasurer and her husband who is also the appointed Zoning Administrator and a Water Commissioner. The Town rented this space prior to the Clerk/Treasurer being elected. The Town paid the Clerk/Treasurer \$14,300 for rent during the year ended June 30, 2007. The Town also reimbursed them for electricity costs. The lease for this property is annual, ending each September.

TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds	Capital Projects Funds	Total
<u>ASSETS</u>			
Investments	\$ 19,612	\$ 0	\$ 19,612
Due from Other Funds	51,709	14,279	65,988
 TOTAL ASSETS	 \$ 71,321	 \$ 14,279	 \$ 85,600
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities	\$ 0	\$ 0	\$ 0
Fund Balances:			
Reserved:	7,520	0	7,520
Unreserved:			
Designated	63,801	14,279	78,080
Total Fund Balances	71,321	14,279	85,600
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 71,321	 \$ 14,279	 \$ 85,600

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Receipts:			
Investment Income	\$ 1,961	\$ 826	\$ 2,787
Intergovernmental	15,525	0	15,525
Charges for Service	745	0	745
Miscellaneous Revenue	1,885	0	1,885
Lot Sales	<u>1,007</u>	<u>0</u>	<u>1,007</u>
Total Cash Receipts	<u>21,123</u>	<u>826</u>	<u>21,949</u>
Cash Disbursements:			
General Government	23,042	0	23,042
Culture and Recreation	30,829	0	30,829
Cemeteries	3,915	0	3,915
Equipment Lease Payments	<u>0</u>	<u>69,582</u>	<u>69,582</u>
Total Cash Disbursements	<u>57,786</u>	<u>69,582</u>	<u>127,368</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(36,663)</u>	<u>(68,756)</u>	<u>(105,419)</u>
Other Financing Sources:			
Transfers In	<u>32,606</u>	<u>20,000</u>	<u>52,606</u>
Total Other Financing Sources	<u>32,606</u>	<u>20,000</u>	<u>52,606</u>
Net Change in Fund Balances	(4,057)	(48,756)	(52,813)
Fund Balances - July 1, 2006	<u>75,378</u>	<u>63,035</u>	<u>138,413</u>
Fund Balances - June 30, 2007	<u>\$ 71,321</u>	<u>\$ 14,279</u>	<u>\$ 85,600</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Reappraisal Fund	Library Trustees Fund	Playground Fund	Cemetery Fund	Northern Lake Champlain Advisory Committee Fund	Grants Fund	Total
<u>ASSETS</u>							
Investments	\$ 0	\$ 3,809	\$ 0	\$ 15,803	\$ 0	\$ 0	\$ 19,612
Due from Other Funds	<u>33,538</u>	<u>7,977</u>	<u>0</u>	<u>372</u>	<u>8,105</u>	<u>1,717</u>	<u>51,709</u>
TOTAL ASSETS	<u>\$ 33,538</u>	<u>\$ 11,786</u>	<u>\$ 0</u>	<u>\$ 16,175</u>	<u>\$ 8,105</u>	<u>\$ 1,717</u>	<u>\$ 71,321</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:							
Reserved	0	0	0	5,803	0	1,717	7,520
Unreserved:							
Designated	<u>33,538</u>	<u>11,786</u>	<u>0</u>	<u>10,372</u>	<u>8,105</u>	<u>0</u>	<u>63,801</u>
Total Fund Balances	<u>33,538</u>	<u>11,786</u>	<u>0</u>	<u>16,175</u>	<u>8,105</u>	<u>1,717</u>	<u>71,321</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,538</u>	<u>\$ 11,786</u>	<u>\$ 0</u>	<u>\$ 16,175</u>	<u>\$ 8,105</u>	<u>\$ 1,717</u>	<u>\$ 71,321</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Reappraisal Fund	Library Trustees Fund	Playground Fund	Cemetery Fund	Northern Lake Champlain Advisory Committee Fund	Grants Fund	Total
Cash Receipts:							
Intergovernmental	\$ 10,042	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,483	\$ 15,525
Investment Income	859	505	0	597	0	0	1,961
Charges for Services	0	745	0	0	0	0	745
Miscellaneous	0	1,803	25	0	0	57	1,885
Lot Sales	0	0	0	1,007	0	0	1,007
Total Cash Receipts	10,901	3,053	25	1,604	0	5,540	21,123
Cash Disbursements:							
Reappraisal Expenses	17,807	0	0	0	0	0	17,807
Library Expenses	0	30,057	0	0	0	0	30,057
Playground Expenses	0	0	772	0	0	0	772
Cemetery Expenses	0	0	0	3,915	0	0	3,915
Grant Expenses	0	0	0	0	0	3,823	3,823
Other	0	0	0	0	1,412	0	1,412
Total Cash Disbursements	17,807	30,057	772	3,915	1,412	3,823	57,786
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(6,906)</u>	<u>(27,004)</u>	<u>(747)</u>	<u>(2,311)</u>	<u>(1,412)</u>	<u>1,717</u>	<u>(36,663)</u>
Other Financing Sources:							
Operating Transfers In	0	26,606	0	3,000	3,000	0	32,606
Total Other Financing Sources	0	26,606	0	3,000	3,000	0	32,606
Excess/(Deficiency) of Cash Receipts and Other Financing Sources Over Cash Disbursements	(6,906)	(398)	(747)	689	1,588	1,717	(4,057)
Fund Balances - July 1, 2006	40,444	12,184	747	15,486	6,517	0	75,378
Fund Balances - June 30, 2007	<u>\$ 33,538</u>	<u>\$ 11,786</u>	<u>\$ 0</u>	<u>\$ 16,175</u>	<u>\$ 8,105</u>	<u>\$ 1,717</u>	<u>\$ 71,321</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2007

	<u>Capital Equipment Fund</u>	<u>Garage and Building Fund</u>	<u>Town Hall Renovation Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Due from Other Funds	\$ <u>11,583</u>	\$ <u>2,629</u>	\$ <u>67</u>	\$ <u>14,279</u>
TOTAL ASSETS	\$ <u>11,583</u>	\$ <u>2,629</u>	\$ <u>67</u>	\$ <u>14,279</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:				
Unreserved:				
Designated	<u>11,583</u>	<u>2,629</u>	<u>67</u>	<u>14,279</u>
Total Fund Balances	<u>11,583</u>	<u>2,629</u>	<u>67</u>	<u>14,279</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>11,583</u>	\$ <u>2,629</u>	\$ <u>67</u>	\$ <u>14,279</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Capital Equipment Fund	Garage and Building Fund	Town Hall Renovation Fund	Total
Cash Receipts:				
Interest Income	\$ <u>762</u>	\$ <u>64</u>	\$ <u>0</u>	\$ <u>826</u>
Total Cash Receipts	<u>762</u>	<u>64</u>	<u>0</u>	<u>826</u>
Cash Disbursements:				
Equipment Lease Payments	<u>69,582</u>	<u>0</u>	<u>0</u>	<u>69,582</u>
Total Cash Disbursements	<u>69,582</u>	<u>0</u>	<u>0</u>	<u>69,582</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(68,820)</u>	<u>64</u>	<u>0</u>	<u>(68,756)</u>
Other Financing Sources:				
Transfers In	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Total Other Financing Sources	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Excess/(Deficiency) of Cash Receipts and Other Financing Sources Over Cash Disbursements	(48,820)	64	0	(48,756)
Fund Balances - July 1, 2006	<u>60,403</u>	<u>2,565</u>	<u>67</u>	<u>63,035</u>
Fund Balances - June 30, 2007	<u>\$ 11,583</u>	<u>\$ 2,629</u>	<u>\$ 67</u>	<u>\$ 14,279</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
BUDGET AND ACTUAL (BUDGETARY BASIS)
PROPRIETARY FUND - WATER FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Water User Fees	\$ 374,075	\$ 379,378	\$ 5,303
Town Allocation	35,000	35,000	0
Water User Late Fees	3,300	1,807	(1,493)
Delinquent Water Fees	4,200	2,627	(1,573)
Interest Income	0	4,562	4,562
Interest on Hook On Fees	500	0	(500)
ERU Fees	34,500	0	(34,500)
Miscellaneous	0	1,060	1,060
Total Cash Receipts	451,575	424,434	(27,141)
Cash Disbursements:			
Salaries:			
Credit Supervisor	5,200	5,200	0
Water Board	3,250	3,900	(650)
Water Board Clerk	2,625	1,770	855
FICA/Medicare	1,000	3,425	(2,425)
Retirement	500	0	500
Total Salary	12,575	14,295	(1,720)
Operations:			
Contracted Services	8,000	20,190	(12,190)
Plant Operator/Contract	40,000	33,385	6,615
Water Testing	6,500	3,502	2,998
Maintenance	6,000	24,587	(18,587)
Equipment Maintenance	2,000	0	2,000
Service Connection	7,500	4,436	3,064
Rebates - Contractors	4,000	0	4,000
Rebates - Users	4,000	735	3,265
Distribution Expense	1,600	0	1,600
Town Equipment Charge	7,000	7,000	0
Meetings and Travel	100	681	(581)
Mileage	0	702	(702)
Chemicals	13,000	11,176	1,824
Materials	7,500	15,191	(7,691)
Electricity	20,500	19,700	800
Office Expense	800	1,161	(361)
Office Equipment	300	310	(10)
Total Operations	128,800	142,756	(13,956)
Buildings and Grounds:			
Engineering	0	3,463	(3,463)
Utilities	3,500	7,300	(3,800)
Supplies	1,000	1,490	(490)
Total Buildings and Grounds	4,500	12,253	(7,753)

The accompanying notes are an integral part of this financial statement.

TOWN OF NORTH HERO, VERMONT
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
BUDGET AND ACTUAL (BUDGETARY BASIS)
PROPRIETARY FUND - WATER FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Expenses:			
Accounting	\$ 300	\$ 0	\$ 300
Legal	2,000	1,542	458
Permits and Licenses	1,100	1,355	(255)
Telephone	1,200	902	298
Advertising	500	118	382
Dues	<u>500</u>	<u>165</u>	<u>335</u>
Total General Expense	<u>5,600</u>	<u>4,082</u>	<u>1,518</u>
Debt and Capital Funding:			
Plant Equipment	5,000	89	4,911
Water Equipment Fund Reserve Transfer	2,000	2,000	0
Water System Capitalization Reserve Transfer	18,000	18,000	0
Bond Principal	123,000	123,381	(381)
Bond Interest	<u>152,100</u>	<u>144,702</u>	<u>7,398</u>
Total Debt and Capital Funding	<u>300,100</u>	<u>288,172</u>	<u>11,928</u>
Total Cash Disbursements	<u>451,575</u>	<u>461,558</u>	<u>(9,983)</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>\$ 0</u>	<u>\$ (37,124)</u>	<u>\$ (37,124)</u>

The accompanying notes are an integral part of this financial statement.